

**Decision Maker:**       **AUDIT SUB-COMMITTEE**

**Date:**                   **Wednesday 26 February 2020**

**Decision Type:**       Non-Urgent                   Non-Executive                   Non-Key

**Title:**                   **ANNUAL INTERNAL AUDIT PLAN 2020/21**

**Contact Officer:**     David Hogan, Head of Audit and Assurance  
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**Chief Officer:**        Director of Finance

**Ward:**                   (All Wards);

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1. Reason for report

The Public Sector Internal Audit Standards (PSIAS) refer to the need to produce a risk based Internal Audit Plan. This should take into account the requirement to produce an annual audit opinion and report that can be used by the Council to inform the Annual Governance Statement. The annual audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. To support this, the risk based plan needs to include an appropriate and comprehensive range of work. This report sets out the approach to producing the draft audit plan and invites comments from Members.

It also includes Internal Audit's Charter which has been reviewed and updated in compliance with PSIAS.

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2. **RECOMMENDATION(S)**

2.1 That the 2020/21 Audit Plan is approved.

2.2 That the Internal Audit Charter is also approved.

## Impact on Vulnerable Adults and Children

1. Summary of Impact: None
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## Corporate Policy

1. Policy Status: Not Applicable:
  2. BBB Priority: Excellent Council:
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## Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Internal Audit
  4. Total current budget for this head: £535k including Internal and External Audit, Fraud Partnership, Insurance Management and Claims handling.
  5. Source of funding: General Fund, Admin Penalties, Legal cost recoveries
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## Personnel

1. Number of staff (current and additional): 7.5 including 1 FTE Insurance and Risk Manager
  2. If from existing staff resources, number of staff hours: 2020/21 940 audit days are proposed to be spent on the audit plan, fraud and investigations, excludes RB Greenwich time.
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## Legal

1. Legal Requirement: Statutory Requirement:
  2. Call-in: Not Applicable:
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## Procurement

1. Summary of Procurement Implications: Some planned audits will have procurement implications.
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 100, including Chief Officers, Head Teachers and Governors.
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## Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

### 3. COMMENTARY

3.1 The Public Sector Internal Audit Standards 2017 define Internal Audit as follows:

‘Internal auditing is an independent, objective assurance and consultancy activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.’

3.2 The UK Public Sector Internal Audit Standards (PSIAS) that apply to central government, local government and the national health service in the UK states: ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control’. Heads of internal audit throughout the public sector provide an annual report with an overall opinion to help the organisation prepare a governance statement. To inform an overall annual opinion means the Annual Internal Audit Plan must strike a balance between breadth, taking a broad look at governance and risk management, and depth, drilling down into specific areas where internal audit can provide valuable insight.

3.3 The Council should agree an annual Internal Audit Plan that suits its specific and unique requirements. No formula exists that can be applied to determine the minimum level of coverage. To make an impact, the Internal Audit Plan needs to focus upon the most important objectives, which invariably means the most significant or highest priority risks. Where risk management is applied effectively and comprehensively by management, the key risks that have been identified become the focus of attention for annual internal audit planning. Up to date Risk Registers provide a useful starting point for planning comparing risks against Audit Coverage in recent year. We also reviewed the risks in the budget position Committee report to the Executive on 15<sup>th</sup> January.

3.4 The purpose of the Internal Audit Plan is to:-

- Optimise the use of limited resources
- Identify the key risks facing the Council to achieving its objectives and determine the corresponding level of resources.
- Ensure effective audit coverage of high risk areas and a mechanism to provide Members, governors, head teachers and senior managers with an overall opinion on the auditable areas and the overall control environment.
- Add value and support senior management in providing effective control and identifying opportunities for improvement.
- Supporting the Council’s nominated Section 151 Officer
- Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015.
- Allow flexibility to take on fraud and investigation work and areas of emerging risk.

3.5 The Audit Plan coverage is largely aimed at:

- The Chief Executive and Corporate Leadership Team
- Members and in particular those of the Audit Sub Committee

- Other managers throughout the Council
- Governors and head teachers of maintained schools still under LB Bromley control

3.6 For the audit plan covering 2020/21, the methodology adopted was:

- Consultation with Chief Officers, the Director of Finance and other senior officers
- Attendance at Departmental Management Team meetings where requested.
- Review of the refreshed Corporate and Directorate risk registers.
- Review of Horizon Scanning completed by Mazars on national challenges and opportunities facing local government.
- Review of reports and guidance from the National Cyber Security Centre, Cabinet Office and discussions with managers from ICT and Information Assurance.
- Identifying any areas that would require audit input as a result of legislation changes, government funding requirements or new areas for coverage where councils are now responsible.
- Issues arising from audits and audit investigations and specific management requests.
- Recognition of the changing structure of this organisation and the drive towards commissioning and transforming services.

3.7 The plan is attached in the document as Appendix A. In comparison to last year we are now proposing that the audit coverage for 2020/21 will be 940 days compared to 902 last year.

### **3.8 Internal Audit Charter**

The attached document Appendix B details Internal Audit's Charter which has been reviewed and updated in compliance with PSIAS. This defines Internal Audit's purpose, authority and responsibility. It establishes its position and clarifies its reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of Internal Audit activities. It covers the roles of audit staff and identifies the nature of professionalism, skills and experience required. It must be regularly reviewed and considered by the Audit Sub-Committee.

## **4. IMPACT ON VULNERABLE ADULTS AND CHILDREN**

4.1 The content of this report will have implications for both adults and children in respect of audits that will be undertaken in both Children's and Adult Services.

## **5. POLICY IMPLICATIONS**

None

## **6. FINANCIAL IMPLICATIONS**

6.1 Some of the findings identified in the audit reports will have financial implications.

## **7. PERSONNEL IMPLICATIONS**

7.1 Staff in breach of financial rules or procedures or acting inappropriately against the Council's legal and financial interests may be subject to disciplinary or/and criminal investigation.

**8. LEGAL IMPLICATIONS**

8.1 Under Section 1 of the Local Government Act 1972, the authority is required to make proper arrangements in respect of the administration of its financial affairs.

**9. PROCUREMENT IMPLICATIONS**

9.1 The contents of this report include planned audits that will have implications for procurement relating to contracting procedure rules, financial regulations and Value for Money issues.

<b>Non-Applicable Sections:</b>	Policy
Background Documents: (Access via Contact Officer)	None